{In Archive} Marathon Expansion
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Garyville refinery expands

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MARATHON OIL CORP./Provided
A three-year Marathon Oil Corp. expansion, completed recently at Garyville, moves that oil refinery from 18th-largest in the U.S. to fourth-largest, behind Exxon Mobil's Baytown, Texas, and its Baton Rouge refineries and BP's Texas City refinery. Citgo in Lake Charles would be fifth-largest, according to the U.S. Energy Information Administration.

Marathon Oil bets $3.9 billion on 436,000-barrel-a-day facility

- By GARY PERILLOUX
- Advocate business writer
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GARYVILLE — A Hotard bus scoots about the 5.5 square miles of new oil refinery piping, vessels and towers, carrying journalists who ogle the just-concluded $3.9 billion Marathon Oil expansion that ranks as the priciest capital project in Louisiana history.

So big is this 436,000-barrel-a-day refinery that the site's 105 engineers took to bicycling their way to work stations and, when the company sprang for the upgrade, lobbied their boss for something better, something keener, something reminiscent of Tiger Woods on his best day.

But boss Rich Bedell turned out to be a tough sell. It was only when the utility in the requested "refinery utility vehicles" was stressed that the plant manager OK'd a small fleet of RUVs, otherwise known as golf carts, to supplement the cycling. Bedell confessed that sometimes you win by bending.

"You want your engineers out of the office and into the plant where they need to work," he said with a chuckle about the RUVs. "It's a good thing to do."

In a nutshell, that's what drove the bigger corporate bet on expanding a refinery on the mushy Louisiana soil, where Marathon's 3,500 acres subside from 11.5 feet above sea level at the U.S. 61 refinery to sea-level swamps near Interstate 10.

Some 17,000 square concrete piles — long enough, end to end, to stretch to Houston — were pounded into the property to provide stability for the acres of steel process pipe, concrete platforms and asphalt roads.

Marathon gambled that in the next generation, based on federal data, the U.S. would consume even more petroleum-based transportation fuel than it does now, and that the matrix would shift toward diesel.

Its original Garyville refinery opened in 1976 and had 256,000-barrel-a-day capacity. But that facility typically cranked out two barrels of gasoline and one barrel of diesel for every three barrels of oil. The expansion enables Marathon to split a barrel of gasoline and a barrel of diesel from every two barrels of crude, equipping the company to refine the ultra-low sulfur fuel grades that will pass environmental muster and to take advantage of diesel's higher efficiency.

Yes, say Marathon officials, they've spent almost $4 billion. But no one else's refinery is so efficient. And overseas refineries lose pricing edges due to shipping.

Louisiana essentially won the Marathon refinery lottery because pipelines spreading from the East St. John Parish site to Canada and New York serve 6,200 Marathon-affiliated gas stations from Florida to Minnesota that last year sold nearly 7 billion gallons of fuel.

And, in Louisiana, Marathon owns 51 percent of LOOP, the Louisiana Offshore Oil Port, that collects crude from the Gulf of Mexico and from tankers. Other ships can dump up to a half-million barrels into the refinery from a river terminal.

Inflation, storm delays and labor costs did boost the project beyond an original budget of slightly more than $3 billion.

But timing was critical. Marathon, said company spokesman Robert Calmus, needed to wrap up the expansion, then make use of craft labor already on site to complete a revamp of the original refinery. Those facilities were shut down as the expansion refinery came online, and the turnaround work ended this month.

Thursday night, in a project-capping celebration, Marathon played host to the vendors who helped them pull off the capital works marvel.

Among the contractors were some big Baton Rouge names: Shaw Group, Turner Industries, Cajun Constructors, Excel Group, Performance Contractors, ISC and James Construction Group.

“The best place to do this, I think, is in Louisiana, because there are very few places where you can hire 9,600 craft workers,” said Marathon’s Jim Shoriak, who directs the company’s major downstream projects.

The company estimates the expansion will help it do this: save 20 percent in fixed cash costs for every barrel of oil it refines.

Marathon, the fifth-largest U.S. refiner, is investing heavily elsewhere, too. In Detroit, a $2.2 billion expansion slated for 2012 completion will give the company a different advantage. It will boost the processing of heavy crude from Canada by 80,000 barrels a day.

Asked about the advisability of investing so much when U.S. leaders are mulling a carbon tax or a trading system of carbon credits that could make refining costlier, Marathon officials didn’t flinch.

The efficiency investments will save Marathon money versus refiners who’ve invested less to control pollution and produce cleaner fuel, they said.

But they acknowledge Garyville wouldn’t have received the size investment it has now if cap-and-trade policies had been enacted.

“Had cap-and-trade been in force, (company executives) were looking at significant reductions,” said Angelia Graves, Marathon’s public and state government affairs director. “That’s one of the things we have to do when we look at expansions like this.”